

Co-operative Soccer

Who should run soccer?

This is the crucial question for the Independent Soccer Review.

It is a question that must precede the determination of how soccer should be run - a best practice structure, government and management framework for soccer in Australia.

A soccer club has a dual mission – sporting success based on commercial viability. This duality clearly distinguishes soccer clubs from most businesses and this distinction needs to inform the choices and decisions about who should own and control soccer in Australia.

The options for ownership and control of soccer are broadly twofold:

- Investor owned and controlled
- Member/supporter owned and controlled

The supporters of soccer could run soccer. What this means for the Independent Soccer Review, therefore, is that the governing body of soccer would be owned and controlled by member owned and controlled soccer clubs. Given this, it is necessary for the Independent Review of Soccer to consider what is meant by member ownership and control and how this could be reflected and reinforced in the governing body.

The Introduction to the Terms of Reference for the Independent Soccer Review observes: “Poor governance may have a variety of causes including director inexperience, conflicts of interest, failure to manage risk, inadequate or inappropriate financial controls and generally poor internal business systems and reports.”

While these observations are critical to any ownership and control model, they are not self-validating in determining who should own and control soccer.

Director experience, managing risk, adequate and appropriate financial controls and effective internal business systems and reports are compatible with member ownership and control of soccer clubs and are not arguments against member ownership and control.

It is the experience of the Co-operative Federation of Victoria Ltd that there is no limit to business activities that have utilised the co-operative model

e.g. banks, building and construction businesses, dairy manufacturers, electric utilities, hardware shops, health clinics, newspapers, radio stations, taxis, telephone utilities, television production houses and water utilities.

It is unfortunate that the challenge to improve the effectiveness and efficiency of the governance of football, including soccer, is often equated with the need for investor ownership and control. Investor ownership and control is not compatible with majority member ownership and control and this reality should not be overlooked. Yet, it is decisive for investor ownership and control either explicitly or implicitly neglects and devalues member ownership and control. This is not surprising for the purpose of an investor owned and controlled company is to benefit its individual and corporate investors.

It is to be hoped that the Independent Soccer Review will avoid assuming the self-evident necessity and desirability of investor ownership and control of soccer and, instead, consider various ownership models and the advantages and disadvantages of each model. The Co-operative Federation of Victoria Ltd has recently published The Co-operative Start-Up Manual which provides a basis for the Independent Soccer Review to examine the co-operative option.

While the Independent Soccer Review may advocate a particular ownership model, the various models should be identified and subject to a subsequent consultation process. This is particularly important for the co-operative model – a model that has to be based on informed voluntary choice.

UK Experience

In the 1980's and 1990's soccer clubs in the UK were converted into companies listed on the stock exchange with the explicit purpose of creating financial value for their shareholders.

This has allowed a few cashed-up individuals to control soccer clubs instead of the majority of supporters.

The majority of the supporters have become increasingly marginalised with control of the clubs vested with a few. According to Manchester United's Annual Report for 1998, for example, there were 27,737 small shareholders but they only controlled 23.4% of the issued capital.

In response to this marginalisation Supporters' Trusts have recently been developed in the UK. The idea of Supporters' Trusts is to secure the right for supporters to participate in the management of their football clubs and strengthen the links between clubs and their communities. Supporters' Trusts are democratic non-profit organisations.

According to the UK's Supporters Direct, by October 2002:

- 60 Supporters' Trusts had been formed
- 15 Supporters' Trusts were in the planning stages
- 34 Supporters' Trusts held a significant shareholding in their clubs.
- 26 Supporters' Trusts had clubs with supporter directors

The lesson of the UK experience is that the findings and analysis of the Independent Soccer Review could recognise the options, choices and consequences of different ownership and control models and either view soccer clubs as investment vehicles controlled by minorities or social enterprises controlled by a majority of their members.

Co-operative Option

Subject to the informed choice of supporters, member ownership and control of soccer is most effectively achieved through the co-operative model.

What the co-operative model offers is a legal and philosophical framework for member democracy. With this legal framework and philosophical underpinning, member ownership of soccer can be real rather than symbolic.

Co-operative legislation throughout Australia provides the most appropriate legal framework for reflecting and reinforcing member ownership and control.

Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

The principles of co-operation are-

- 1 Voluntary and Open Membership
- 2 Democratic Member Control
- 3 Member Economic Participation
- 4 Autonomy and Independence
- 5 Education, Training and Information
- 6 Cooperation among Cooperatives
- 7 Concern for Community

- 1. Voluntary and Open Membership.** Cooperatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.
- 2. Democratic Member Control.** Cooperatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary cooperatives, members have equal voting rights (one member, one vote) and cooperatives at other levels are organized in a democratic manner.
- 3. Member Economic Participation.** Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. They usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing the cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.
- 4. Autonomy and Independence.** Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.
- 5. Education, Training and Information.** Cooperatives provide education and training for their members, elected representatives, managers and employees so they can contribute effectively to the development of their cooperatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of cooperation.
- 6. Cooperation among Cooperatives.** Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.
- 7. Concern for Community.** While focusing on member needs, cooperatives work for the sustainable development of their communities through policies accepted by their members.

These principles guide the co-operative movement throughout Australia.

Co-operative Development

The Co-operative Federation of Victoria Ltd is the peak body for co-operatives in Victoria. There are nearly 2400 co-operatives registered under State co-operative legislation throughout Australia. In 1998 14 co-operatives were listed in the top 1000 private businesses – including two members of the Co-operative Federation of Victoria Ltd, Bonlac Foods Limited and Murray Goulburn Co-operative Co Ltd.

Recent activities and achievements of the Federation have included:

Publishing the Co-opAdvantage Developing Directors of Co-operatives Kit.

Continuing a partnership with Monash University Agribusiness for the annual Agribusiness Co-operative Directors Seminar.

Developing a co-operation web site under the DotCoop Community Name Program: <http://www.australia.coop>

Continuing an energy alliance with Co-operative Energy Ltd.

Publishing The Co-op Start-Up Manual.

Organising a Marketing Our Co-operative Advantage Workshop at Warrnambool.

Organising an Energy Aggregation Workshop at Moreland.

Publishing a Co-operation A to Z Manual.

Preparing a submission to and co-ordinated a Victoria, N.S.W. and Queensland Co-operative Federations meeting with the Trade Practices Review Committee.

There are co-operative federations in NSW, Queensland, SA, Victoria and WA. State Federations have the co-operative development experience and skills to facilitate an understanding of and the process for the co-operatisation of soccer throughout Australia.

David Griffiths
Secretary
Co-operative Federation of Victoria Ltd
11 November 2002

Further Reading

Bourke, Ann **The Evolution of Irish PLC Co-operatives – Lessons for English Football Clubs**, University College Dublin, 3 February 1999

Hamil, Sean Michie, Jonathan Oughton, Christine and Shailer, Lee **The State of the Game: Corporate Governance of Football Clubs 2001**, Football Governance Research Centre, Birkbeck University of London 2002
Michie, Jonathan **New Mutualism A Golden Goal uniting supporters and their clubs**, The Co-operative Party, July 1999
Supporters Direct **Frequently Asked Questions**, 3 October 2002
Supporters Direct Newsletter, Issue 8, October 2002
Supporters Direct Start-up Pack for Supporter Groups